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UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 10th day of May, 2000

Essential air service at

McCOOK, NEBRASKA

under 49 U.S.C. 41731 *et seq.*

Docket OST-97-3005 - 2

Served: May 15, 2000

ORDER TO SHOW CAUSE

Summary

By this order, the Department is tentatively reselecting Great Lakes Aviation, Ltd., d/b/a United Express, to provide subsidized air service between McCook, Nebraska, and Denver for the two-year period ending May 31, 2002, at an annual subsidy rate of \$1,325,289. The order also provides for objections or competing proposals from other interested carriers.

Background

By Order 97-10-10, October 14, 1997, the Department reselected Great Lakes to provide subsidized service at McCook through May 31, 2000, by operating 18 nonstop round trips a week to Denver with 19-seat Beech 1900 aircraft at an annual subsidy rate of \$1,308,444.¹

Under our normal procedures when nearing the end of a subsidy rate term, we contact the incumbent carrier to determine whether it is interested in continuing service and whether it will continue to require subsidy. We usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting it for a new rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order; if any such proposals are filed, we process them as a competitive case. Consistent with this practice, we invited Great Lakes to submit a proposal for the continuation of its service at McCook beginning June 1, 2000.

Carrier Proposal

Great Lakes submitted a proposal in response to our request. As a result of discussions with Department staff, Great Lakes has agreed to a new rate term for the two-year period from June 1, 2000, through May 31, 2002. Specifically, Great Lakes proposes to continue operating

¹ See Appendix A for a map.

18 nonstop McCook-Denver round trips a week with Beech 1900 aircraft at a new subsidy rate of \$1,325,289 annually.²

Decision

After a thorough review of the proposal and Great Lakes' service history, we have tentatively decided to reselect Great Lakes to continue serving McCook as proposed. The proposed rate appears reasonable for the service at issue and the carrier's performance continues to be satisfactory.

In Order 97-10-10, we indicated that we were concerned about the high level of subsidy required to support 18 weekly round trips at McCook, and that we would closely reexamine the community's continuing service needs in light of its response to that level of service when undertaking the current rate review. We remain concerned about the high subsidy level; although it has increased only modestly from 1997, it is still very high for service at a single community. As we note below in discussing McCook's traffic and service history, traffic has shown some response to Great Lakes' service during 1998 and 1999 following a brief service hiatus in 1997. In this connection, we also would note that a nationwide pilot shortage eroded Great Lakes' service reliability in 1999. In view of the community's improved traffic results despite those service problems, we will continue to support 18 round trips a week for another two-year rate term. However, we will again consider whether the community continues to warrant such a level of service when we undertake our next rate review for McCook in 2002.

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we compensate it for providing subsidized service. We last found Great Lakes fit by Order 2000-4-19, April 18, 2000, in connection with its subsidized service at Mattoon, Illinois. Since then, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that Great Lakes continues to have available adequate financial and managerial resources to provide quality service at McCook, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with 14 CFR Part 121, and knows of no reason why we should not find that Great Lakes remains fit.

Responses to Tentative Decision

As usual, we will allow interested parties 20 days from the date of this order to object to our decision or to file objections or competing proposals. If no timely objections or competing proposals are filed, this order will automatically become final. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague or unsupported objections.

² Appendix B contains details of Great Lakes' subsidy requirement.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Each applicant, including the incumbent, will then have an opportunity to finalize its proposal in rate discussions with Department staff before we seek final community comments. We will give full consideration to all proposals that are timely filed. As a general matter, we request proposals that would provide service at levels commensurate with those tentatively selected here with twin-engine aircraft operated by two pilots.

Traffic and Service History

Great Lakes has been operating scheduled service at McCook since May 1996, when it replaced GP Express Airlines, Inc., d/b/a Continental Connection. After about a year of steady service, McCook suffered a service hiatus of about six weeks when Great Lakes voluntarily suspended service beginning May 16, 1997, while it cooperated with the Federal Aviation Administration to resolve operational deficiencies in its system. Great Lakes resumed service at McCook on July 1, 1997. During calendar year 1999, the most recent 12-month period for which data are available, McCook averaged 7.3 enplanements a day, which represented a 15.8 percent decline from the previous year. Nonetheless, the community's traffic figures in 1998 and 1999 were its highest in 20 years.³

Procedures for Filing Competitive Proposals

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f), and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

³ See Appendix C for historical traffic data since 1988. Enplanements represent one-half of total origin-and-destination traffic, and averages are based on 313 weekdays and weekends each year.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.⁴ Consequently, all carriers receiving Federal subsidy for essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

Community and State Comments

If we receive competing proposals, the community and state are welcome to submit comments on the proposals at any time. Early in the proceeding, comments on the proposals' strengths and weaknesses would be particularly helpful, and the civic parties may also express a preference for a particular carrier, if they choose. In any event, after conducting rate conferences with all applicants, we will provide a summary of the conference results to the civic parties and ask them to file their final comments.⁵

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. We tentatively reselect Great Lakes Aviation, Ltd., d/b/a United Express, to provide essential air service at McCook, Nebraska, as described in Appendix D, for the period from June 1, 2000, through May 31, 2002;
2. We tentatively set the final rate of compensation for Great Lakes Aviation, Ltd., d/b/a United Express, for the provision of essential air service at McCook, Nebraska, as described in Appendix D, for the period from June 1, 2000, through May 31, 2002, payable as follows: for

⁴ The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, implementing title 31, United States Code, section 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions;" (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants), implementing the Drug-Free Workplace Act of 1988; and (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation -- Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the basis of handicap in Air Travel.

⁵ In cases where a carrier proposes to provide service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service as proposed.

each month during which service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix D, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$719.48;⁶

3. We direct Great Lakes Aviation, Ltd., d/b/a United Express, to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

4. We find that Great Lakes Aviation, Ltd., d/b/a United Express, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable service at McCook, Nebraska;

5. We direct any interested persons having objections to the selection of Great Lakes to provide service as described in ordering paragraph 1 above, at the rate set forth in ordering paragraph 2 above, to file such objections or competing service proposals no later than 20 days from the date of service of this order;⁷

6. If we receive objections or competing proposals within the 20-day period, Great Lakes will be compensated at the subsidy rate set forth in ordering paragraph 2 above as a final rate until all objections are resolved;

7. We will afford full consideration to the matters and issues raised in any timely and properly filed objections and service proposals before we take further action.⁸ If no objections or competing service proposals are filed, all further procedural steps will be deemed waived and this order shall become effective on the twenty-first day after its service date;

8. This docket will remain open until further order of the Department; and

⁶ See Appendix D for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

⁷ Objections should be filed with the Documentary Services and Media Management Division, SVC-124, Room PL-401, Department of Transportation, 400 7th Street S.W., Washington DC 20590. Proposals to provide air service should be filed with the Chief, EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6417I, Department of Transportation, at the same address. Questions regarding filings in response to this order may be directed to Luther Dietrich at (202) 366-1046 or Ed Niederberger at (202) 366-1039.

⁸ Since we are providing for the filing of objections to this order, we will not entertain petitions for reconsideration.

9. We will serve copies of this order on the mayor and airport manager of McCook, Nebraska; the Nebraska Department of Aeronautics; the Governor of Nebraska; Great Lakes Aviation, Ltd., d/b/a United Express; and the persons listed in Appendix E.

By:

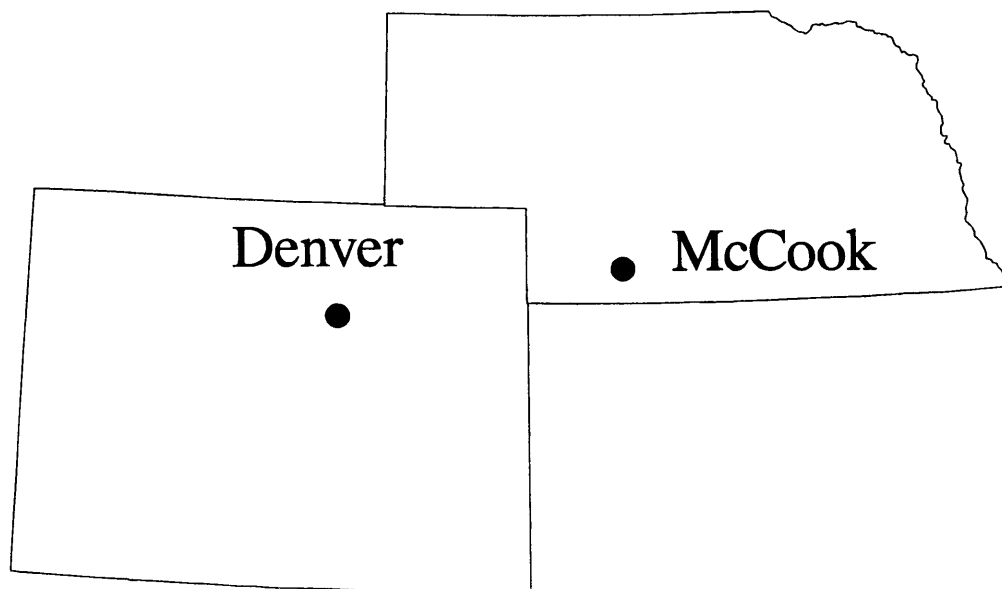
A. BRADLEY MIMS

Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available
on the World Wide Web at <http://dms.dot.gov>*

McCOOK, NEBRASKA



APPENDIX B

GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE
AT McCOOK, NEBRASKA

Mileages:	MCK-DEN	218			
Departures:		1,842			
Block hours:		1,934			
Flight hours		1,856			
Available seat-miles:		7,629,564			
Operating revenue:					
Passenger	5,000		MCK-DEN passengers @ \$93.00 average fare		\$465,000
Other	0.0062		of passenger revenue of \$465,000		<u>2,883</u>
Total operating revenue					\$467,883
Operating expense:					
Direct operating expense:					
Flying operations (a)	\$94.11	per block hour			\$182,009
Flying operations (b)	\$5.61	per departure			10,334
Hull insurance	\$4,100	12 months	0.3393	0.65	10,851
Fuel & Oil	\$1.191		Gallons per dep.	139	304,941
Maintenance (a)	\$75.00	per departure			138,150
Maintenance (b)	\$104.82	per flight hour			162,052
Aircraft lease	\$34,504	12 months		0.65	<u>269,131</u>
Total direct operating expense					\$1,077,468
Indirect operating expense:					
MCK facility lease	\$500.00	12	months		\$6,000
MCK deicing charge	\$125.00	192	estimated apps.		24,000
MCK local marketing					5,000
MCK station manager					26,000
MCK station agent	\$20,800	2	agents		41,600
Crew overnight	\$207.00	358			74,106
DEN cost per turn	\$264.00	921	DEN departures		243,144
DEN airport baggage system fees	\$1.46	2,500	DEN enplanements		3,650
DEN airport terminal transit system fee	\$1.45	2,500	DEN enplanements		3,625
DEN United baggage system fee	\$4.68	2,500	DEN enplanements		11,700
Passenger-related	\$16.63	5,000	total passengers		83,150
Administrative	\$0.0142	7,629,564	available seat-miles		<u>108,340</u>
Total indirect operating expense					<u>\$630,315</u>
Total operating expense					<u>\$1,707,783</u>
Operating loss					\$1,239,900
Profit element	0.05	\$1,707,783	Total operating expense		<u>85,389</u>
Compensation requirement					<u>\$1,325,289</u>

APPENDIX C

McCOOK, NEBRASKA
HISTORICAL TRAFFIC DATA

<u>YEAR</u>	<u>ENPLANEMENTS</u>	<u>AVG.</u>
1988	1,164	3.7
1989	948	3.0
1990	1,032	3.3
1991	1,024	3.3
1992	1,148	3.7
1993	1,181	3.8
1994	1,056	3.4
1995	879	2.8
1996	900	2.9
1997	1,549	5.7
1998	2,711	8.7
1999	2,284	7.3

SOURCE: Bureau of Transportation Statistic Form 298-C, Schedule T-1. Enplanements represent one-half of total origin-and-destination traffic, and averages are generally based on 313 weekdays and weekends each year. There was a service hiatus at the community from May 16 through July 1, 1997; consequently, the 1997 average is based on 273 weekdays and weekends.

GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS
ESSENTIAL AIR SERVICE AT
McCOOK, NEBRASKA

EFFECTIVE PERIOD	June 1, 2000, through May 31, 2002
SERVICE	18 nonstop round trips to Denver each week, with no upline service limitations
AIRCRAFT TYPE	Beech 1900D (19 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER ARRIVAL/DEPARTURE	\$719.48 <u>1/</u>
COMPENSATION CEILING EACH WEEK	\$25,901 <u>2/</u>

1/ Annual compensation of \$1,325,289 divided by 1,842 annual arrivals and departures as shown in Appendix B.

2/ Subsidy rate per arrival/departure of \$719.48 multiplied by 36 subsidy-eligible arrivals and departures each week.

N O T E

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of this rate, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on the route. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this agreement, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to this agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

SERVICE LIST FOR THE STATE OF NEBRASKA

Air Casino, Inc.
Air Midwest, Inc.
Air Wisconsin, Inc.
Amerijet International, Inc.
Delta Connection
Dwyer Aircraft Sales, Inc.
Falcon Aviation, Inc.
GP Express Airlines, Inc.
Great Lakes Aviation, Ltd.
Heartland Aviation, Inc.
Mesa Airlines, Inc.
Mesaba Aviation, Inc.
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Express Airlines, Inc.
Multi Aero, Inc.
Northwest AirlinK
Redwing Airways, Inc.
Renown Aviation, Inc.
Rocky Mountain Airways, Inc.
Thunderbird Aviation, Inc.
Trans States Airlines, Inc.

Louis Andrews
Ken Bannon
E.B. Freeman
Douglas Gumula
Ben Harrison
A. Edward Jenner
Bob Karns
John McFarlane
Robert Wigmore